

## Message Text

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ACTION OES-05

INFO OCT-01 EUR-12 EA-10 ISO-00 FEA-01 PA-02 PRS-01 USIA-15

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R 051859Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8001

INFO AMEMBASSY BRUSSELS

AMEMBASSY TOKYO

UNCLAS LONDON 01855

FOR NELSON SIEVERING, OES/SCI

FOR A.S. FRIEDMAN, ASSISTANT ADMINISTRATOR FOR INTERNATIONAL AFFAIRS, ERDA

E.O. 11652: N/A

TAGS: TECH, UK

SUBJ: BRITISH NUCLEAR FUELS LTD. INVESTMENT PLANS

1. BRITISH NUCLEAR FUELS LTD. (BNFL) HELD A PRESS CONFERENCE AT WARRINGTON ON JANUARY 30 TO DISCUSS ITS BUSINESS PLANS. THE PRESS WERE ALSO TAKEN ON A TOUR OF THE WINOSCALE FACTORY AND INTRODUCED TO THE NEW GENERAL MANAGER OF THE PLANT, PETER MUMMERY. FOLLOWING INFORMATION OBTAINED FROM PRESS REPORTS AND CONVERSATION WITH DR. NED FRANKLIN, CHIEF EXECUTIVE OF BNFL.

2. THE COMPANY HAS FIRM PLANS TO INVEST ABOUT 66 MILLION POUNDS OVER THE NEXT FIVE YEARS, MOSTLY IN NEW FACILITIES FOR RADIOACTIVE WASTE DISPOSAL AND FOR REDUCING RISKS ASSOCIATED WITH ITS EXPANDING PLUTONIUM FUEL OPERATIONS.

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THIS FIGURE, HOWEVER, EXCLUDES INVESTMENT ANTICIPATED

IN NEW REPROCESSING PLANT FOR THE TREATMENT OF HIGHLY RADIOACTIVE NUCLEAR FUEL RETURNED FROM REACTORS, EXPECTED TO TAKE MORE THAN FIVE YEARS TO CONSTRUCT.

THE INVESTMENT IN EXPANDED REPROCESSING PLANT COULD AMOUNT TO AS MUCH AS 250 MILLION POUNDS OVER THE NEXT TEN YEARS, ACCORDING TO DR. FRANKLIN.

ALTHOUGH THE COMPANY HAS HAD NO OFFICIAL RESPONSE, SAID DR. FRANKLIN, REPORTS FROM JAPAN INDICATE THAT ERG, THE JAPANESE ENRICHMENT AND REPROCESSING GROUP, WHICH FORMULATES NUCLEAR FUEL POLICY ON BEHALF OF TEN JAPANESE UTILITIES, IS HAVING SUCCESS IN RAISING THE KIND OF DOWNPAYMENT THE COMPANY HAS SUGGESTED IT WOULD EXPECT BEFORE UNDERTAKING TO REPROCESS JAPANESE FUEL.

DR. FRANKLIN SAID YESTERDAY THAT HE EXPECTED TO REQUIRE THE BRITISH GOVERNMENT'S APPROVAL FOR HIS EXPANSION PLANS, AND THAT IN THE CASE OF EXPORT CONTRACTS HE WOULD EXPECT A CLAUSE STIPULATING THE RETURN OF WASTE PRODUCTS TO BE REQUIRED.

BUT HE ESTIMATES THAT THE REPROCESSING OF NUCLEAR FUEL COULD BE WORTH 50-100 MILLION POUNDS A YEAR TO BRITISH NUCLEAR FUELS BY THE MID-1980S, PROVIDING THE COMPANY CAN CONVINCE THE GOVERNMENT THAT IT CAN EXPAND ITS WINDSCALE FACTORY WITHOUT INCREASING THE RISKS FROM RADIOACTIVITY TO ITS WORKERS OR TO THE PUBLIC AT LARGE.

3. AS A GOVERNMENT OWNED CORPORATION, BNFL MUST RELY FOR ITS PRIMARY INVESTMENT FUNDS ON THE UK TREASURY. THE UK GOVERNMENT HAS NOT YET COMMITTED FUNDS FOR THE 250 MILLION POUNDS EXPANSION OF REPROCESSING PLANT.

4. FOLLOWING THE JANUARY 20 PRESS CONFERENCE, SEVERAL NEWSPAPER STORIES SUGGESTED THAT BNFL WAS ACTIVELY SEEKING INVESTMENT FUNDS FROM MIDDLE EAST OIL COUNTRIES. HOWEVER, IN TELEPHONE CONVERSATION WITH THE SCIENCE ATTACHE, DR. FRANKLIN INDICATED THAT THERE WERE, AT PRESENT, NO SPECIFIC PROPOSITIONS UNDER DISCUSSION TO BORROW MIDDLE EASTERN MONEY. HE SAID, HOWEVER, THAT THE MIDDLE EAST WAS AN OBVIOUS PLACE TO LOOK FOR INVESTMENT MONEY AND THAT THEY WERE ALSO LOOKING

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TO INVESTMENT BY PROSPECTIVE CUSTOMERS SUCH AS THE JAPANESE.

5. COMMENT. PERHAPS THESE RUMORS OF FOREIGN INVESTMENT IN BNFL IS A CASE OF DELIBERATE KITE FLYING BY OFFICIALS OF THE COMPANY IN AN ATTEMPT TO STIMULATE GREATER INVESTMENT BY THE UK GOVERNMENT. BNFL DOES APPEAR TO HAVE A GOOD DEAL OF ADVANCED TECHNOLOGY TO OFFER IN THE FIELD

AND SUCH AN INVESTMENT WOULD APPEAR TO HAVE GREAT MERIT  
IN THE LIGHT OF CONTINUED WORLDWIDE GROWTH OF NUCLEAR  
POWER.

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